

# ATTRACTING CONSCIENTIOUS CONSUMERS



**“DON’T BUY THIS JACKET.”**

It was a strange marketing slogan for a clothing retailer. Stranger still was that it appeared in a full page advertisement in the *New York Times* on the busiest shopping day of the year. **Patagonia**’s attempt to dissuade customers from purchasing items from its stock carried a counter-intuitive message: the company wanted its customers to be content with older or worn items, and to think twice before purchasing new clothes. By making such a visible statement, Patagonia extended its reputation as a leader in paying due attention to a growing trend: conscientious consumerism.



Consumers the world over are re-thinking how and what they buy. They’re moving away from purely economic concepts of value towards a more complete notion of value, one that’s as much social and environmental as it is financial. Through our re-

search at the **Accenture Institute for High Performance**, we have observed an emerging vanguard of ‘conscientious consumers’. At the moment, however, many businesses are not set up to meet the ‘new needs’ of these consumers, and must adjust accordingly.

We have found that consumers — particularly in developing countries — are showing far greater concern for society and the environment through their consumption habits than they were just three years ago. We tested 10,000 consumers from 10 countries and asked them to assess how their behaviour was changing on more than 40 variables. We then performed a cluster analysis to group the behaviours together, and used this data to identify trends in shifting consumer behaviour.

We identified three over-arching trends that point to the emergence of the conscientious consumer:

1. **Communal Outlook.** Consumers are participating in society more and are increasingly focused on their own and others’ well-being. For example, 47 per cent

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of consumers participate more in physical activity to improve their health than they did three years ago; and **One Block Off the Grid**, a group purchasing provider of solar power, reported a 46 per cent rise in registered users over five months in 2011 to reach more than 100,000 households in the United States.

2. **Attention to Sustainability.** They are also more sustainable in their consumption: 51 per cent consider the environmental impact of a product or company before purchasing. U.S.-based jewelry maker **Alex and Ani** targets these customers using eco-friendly, locally-sourced metals for its pieces. That's one of several reasons why its revenue increased from \$4.5 million in 2010 to \$80 million in 2012, and the number of boutiques jumped from the original one in Newport, Rhode Island, to 57 across the U.S. by the end of 2013.
3. **Minimalist Consumption.** Finally, instead of purchasing a new product, conscientious consumers often rent or buy things used. We call this minimalist consumption. Twenty-five per cent of consumers are more frequently buying or using things previously owned by someone else. The growth of the secondary market for consumer electronics — an industry with a potential value of \$49 billion in the U.S. alone — indicates some of the opportunities for companies serving minimalist consumers. American companies **Gazelle** and **Nextworth Solutions**, which specialize in electronics recycling, have each experienced three-year growth averages above 100 per cent. The college textbook rental business is another example of serving the minimalist consumer, with Utah-based **Campus Book Rentals** claiming more than a million customers since its founding in 2007.

Why are consumers in every market of the world becoming more conscientious in their purchasing habits? Several contributing factors, including economic, psychological, and technological trends — are coming together to bring this about.

In economic terms, as global income levels have risen, the number of people with enough money to satisfy their

most basic needs — food, water, shelter — has also gone up. As a result, more people now seek out non-material wealth and desire to be stewards of future generations — as witnessed by the rapid growth in demand for education in the developing world.


Psychologically, there has been a palpable shift in values in Western societies. At its most basic level, people have generally become less interested in what some describe as 'dying with the most toys.' Instead, they are focusing on the quality of life provided by the acquisition of non-material goods.

Technological developments, particularly the use of the Internet and social media, have also played a role in behaviour change. With greater access to information, consumers are in a far better position to judge the credentials of firms across a wide spectrum of values. They can, for example, fully probe a company's environmental record and its treatment of employees.

Some market-disrupting companies have built their entire business on targeting conscientious consumers. Grocer **Whole Foods Market** has long recognized consumers' increasing desire for healthy lives and communities. In 1985, its 'Declaration of Interdependence' described the company's commitment to operating communally, prioritizing the shared well-being of employees, customers, communities and the environment in its corporate practice. Whole Foods has only deepened its commitment to communal conduct over the years: the company has formally labelled itself as a 'conscious business' where social and environmental goals are pursued in tandem with profits, and it now provides customers with environmental ratings for its groceries as well as health education programs.

### Not Just the West

Organic foods and other 'green' industries are no longer the preserve of urban elites in rich Western countries. In fact, on the whole, change in emerging markets is far greater than in developed markets: emerging-market consumers are becoming more sensitive to the wider impacts of consumption and adjusting their behaviour to be more considerate of others. For example, volunteering is on the rise: 43 per cent of surveyed respondents in emerging markets said they volunteer more often than they did three years ago,



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compared with just 18 per cent in developed markets. In addition, 64 per cent of emerging-market consumers consider environmental effects more often before purchasing — double the proportion in developed countries.

Some emerging-market businesses are blazing a trail in catering to sustainable consumers. Brazil's **Suzano Papel e Celulose** was the first pulp and paper business globally (and the first of any Latin American company) to quantify its carbon footprint, and the company now ranks second globally in eucalyptus pulp production and eighth largest for all pulps.

These accomplishments are not coincidental. Suzano embraced the disruptive potential of 'triple bottom line' growth (where financial, social and environmental results coincide) during the 1970s, after implementing a forest maintenance program to create jobs in nearby communities while procuring a cheaper supply of wood. This initiative was hugely successful, establishing environmental responsibility as a core component of sustained, profitable growth.

Suzano has continued to actively invest time and resources in local ecosystems — both human and environmental — to cultivate sustainable growth. In expanding into the new areas of Maranhão and Piauí, the company has assisted nearly 3,800 people through its Community Agricultural Project to date, where residents receive instruction on environmentally-friendly methods of seed selection and farming.

### Taking Non-Ownership

Developed-market consumers are keeping pace with their emerging-market counterparts when it comes to minimalist behaviour. Over a third of consumers in the UK (34 per cent) are buying more pre-used goods than three years ago; over a quarter do so in the U.S., and around a fifth do so in Japan and Germany (20 and 19 per cent, respectively.) In emerging markets, this figure ranged from 23 per cent in Turkey to 28 per cent in India.

Some big businesses have been successful at reflecting this trend in their offerings. **Hertz** is a case in point. When the emergence of car-sharing schemes catering to the minimalist consumer threatened the status quo of the car rental industry, Hertz confronted this with the creation of its own

car-sharing service, Hertz On Demand, in 2009. In doing so, the company has drastically improved the consumer experience by cutting the time, energy and cost for customers to get behind the wheel.

The minimalist approach of Hertz On Demand has carried over into Hertz's other services. The company has eliminated the payment obligations of membership, annual and late fees, and now offers one-way car rentals in some areas to lessen the hassle of rental returns. It also introduced 'virtual kiosks' and a partnership with a recycling company to dispose of old tires, and now offers consumers access to a broader array of environmentally-friendly cars.

However, companies like Whole Foods, Suzano and Hertz are not in the majority. Many incumbent players are too wedded to existing business models and product lines to be able to identify 'step-out opportunities' to meet the needs of conscientious consumers. Start-ups and non-profits are often better positioned to close these gaps and solve problems.

San Francisco's **Revolution Foods**, founded in 2006, provides healthy school lunches for mostly low-income students — some one million meals per week at 1,000 schools across the U.S. The company contracts with local schools that are dissatisfied with current providers. Using local ingredients and avoiding things like high-fructose corn syrup and the deep-fat fryer, the company also emphasizes the importance of winning the trust of its young consumers by involving them heavily in the design and testing of its meals. One measure of success: when Revolution Foods has entered the picture, the percentage of students accepting the free meals has in some cases jumped dramatically.

Business leaders already have a broad understanding of these consumer trends: 65 per cent of the 600 executives we surveyed agree that consumers are more socially and environmentally responsible than three years ago, and the same percentage recognize that consumers are increasingly sharing and renting what they once would have bought.

However, a perception that consumers are inherently unpredictable — a view shared by 40 per cent of executives — may hold organizations back from maximizing opportunities from behaviour change. Along with this concern, executives also cited the usual bugbears around the slow

internal pace of change (35 per cent) and a reluctance to make investments (30 per cent).

In the end, the rise of the conscientious consumer brings both opportunity and threat for incumbent businesses. We recommend leaders take three first steps:

### 1. DEVELOP A NEW MINDSET ABOUT VALUE

Conscientious consumerism represents an opportunity for companies to make longer-term bets on new business models, new product lines and new service offerings. Doing so requires finding ways to capture value by being more consumer-centric rather than producer-centric, and socio-environmental rather than economic. As a long-term play, such an approach can actually lead to greater economic value.

One successful company with this approach is UK food and clothing retailer **Marks & Spencer**. It introduced its 'Plan A' approach to sustainability in 2007, which moved the company away from a largely compliance-based approach to corporate and social responsibility and ushered in a new mindset. Plan A consists of 180 social and environmental commitments, such as reducing store refrigeration GHG emissions by 50 per cent by 2015. Although premised on the basis that customers wouldn't pay more for sustainability, the scheme posted a net financial benefit from its third year onwards, as the company achieved cost savings, raised employee engagement, increased innovation and enhanced its brand.

### 2. CREATE OPPORTUNITIES FOR SHARED VALUE CREATION USING INNOVATIVE BUSINESS MODELS

Once the business-as-usual mindset has been shed, companies can set about exploring new opportunities for value creation. They may find opportunities to partner with other businesses, non-profits or NGOs, governments or even with consumers themselves. A note of caution: these new ventures must be aligned with the business, rather than a box-ticking CSR exercise.

Kenyan telecommunications provider **Safaricom** has played an active role in African communities since its incorporation in 1997. Its mobile banking service gives more than 14 million low-income users access to financial services, and a new feature provides subscribers with medical services

from partner **Call-a-Doc**. With the new service, 50 qualified doctors are on call to provide information, instruction and referral to local health centres, if necessary, for roughly \$0.02 per minute. Safaricom's approach has paid financial dividends: total revenue grew by 19 per cent year-on-year in the first half of the company's financial year 2013, and it now serves 19.2 million customers.

### 3. MEET CUSTOMER EXPECTATIONS BY ANTICIPATING AND MITIGATING SOCIAL AND ENVIRONMENTAL RISK

Conscientious consumers expect conscientious businesses. Eighty-three per cent of consumers we surveyed thought it important to feel the selling company is trustworthy. Being seen as trustworthy in an era of mass connectedness is easier said than done, as one misstep means widespread reputational damage. Companies should actively seek to mitigate environmental and social risks before they endanger their relationships with conscientious consumers.

Brazilian cosmetics firm **Natura** is a good example of how a business can anticipate and mitigate these risks. When the company discovered that local communities were cutting down trees that provided critical ingredients for Natura products, it sent representatives to provide instruction on how to preserve trees as well as harvest cocoa and passion fruit, preserving more than 35,000 trees and supporting 700 indigenous families.

Are you ready to convince your customers they shouldn't buy your product, if it serves a wider purpose? If the answer is yes, you're in the minority, but you will be poised to reap the long-term rewards from conscientious consumerism. **RM**

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